

**Figure: 16 TAC §25.239(e)**

<b>RR = [revreqt + ATC]*ALLOC</b>	
Where:	Revreqt = the sum of the return on TIC, net of accumulated depreciation and associated accumulated deferred income taxes, plus investment-related expenses such as income taxes, other associated taxes, depreciation, and transmission-related miscellaneous revenue credits, but not including operation and maintenance expenses or administrative expenses. The return on TIC shall be calculated by multiplying the TIC by the utility's weighted-average cost of capital (WACC) as established for the utility in a final commission order in a base rate case, provided that the order was filed within three years prior to the initiation of the TCRF docket. Otherwise, a proxy WACC shall be used, with a cost of equity of 10%; and the capital structure and cost of debt as reported in the utility's most recent Earnings Monitoring Report filed pursuant to §25.73 of this title (relating to Financial and Operating Reports), adjusted for known and measurable changes.
	Transmission Invested Costs (TIC) is defined in subsection (b)(2) of this section.
	Approved Transmission Charges (ATC) is defined in subsection (b)(1) of this section.
	ALLOC = the utility's Texas retail allocation of transmission revenue requirements, as established in the utility's most recent base rate case.